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SECURITY INFORMATION

30 June 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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#### GENERAL

1. Marshal Tito still believes Moscow will avoid "major" war risks: Marshal Tito, in his recent conversations with Austrian Foreign Minister Gruber, expressed the opinion that the USSR, while continuing to take "minor risks" of war, would avoid "major risks," and that consequently an armed conflict would occur only if Moscow miscalculated.

The conversations also touched on the Trieste situation. Tito insisted that he was anxious for good relations with Italy, but felt that the issue should not be raised again until agitation on both sides subsides.  
(S Vienna 4042, 26 June 52)

Comment: Early in March, Marshal Tito expressed the view that growing Western military strength had reduced the danger of Soviet aggression.

Yugoslavia reacted sharply to the London conference which gave Italy a voice in the administration of Zone A of Trieste, and has since shown no signs of willingness to reach an over-all settlement on the Free Territory.

#### SOVIET UNION

2. HICOG Berlin warns against Communist exploitation of four-power talks: The nature of the East German press campaign suggests that the Communists foresee possible Western agreement to four-power talks on conditions giving the Communists a good propaganda forum, according to the US High Commission in Berlin. The US officials point out that if no preconditions are laid down by the West which

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could embarrass the Communists and if the agenda were sufficiently restricted, the Soviet Union could avoid committing itself on the important details of election control or the interim status of an all-German government. The USSR could thus continue to hold out hope of agreeing to a German settlement and encourage further delay in ratification of the contractuals. (C Berlin 1568, 27 June 52)

Comment: The Western Powers are planning to propose four-power consideration of the terms and conditions of an impartial international inquiry concerning free all-German elections.

3. Switzerland forbids establishment of permanent Moscow Trade Organization: Swiss authorities have refused to permit establishment in Switzerland of a permanent organization of the Moscow Trade Conference. Approaches on this subject have been made previously in Geneva by a left-wing British economist. (C Bern 1635, 27 June 52)

Comment: The Swiss refusal, taken in conjunction with a refusal on 29 May by Denmark, is a temporary setback for continued Soviet efforts to capitalize on the Moscow Economic Conference to undermine Western trade policies and export controls.

Similar overtures to other Western European countries are to be expected, since a Moscow-dominated trade committee in Western Europe could profit by proximity to western businessmen and the western press.

#### EASTERN EUROPE

4. Explosion in Czechoslovak munitions plant brings quick disaster relief action: An explosion at the large munitions plant in Dubnica, Slovakia on 3 April killed or seriously injured about 200 persons, mostly young women employees.

In an immediate all-out disaster relief effort directed by the government, blood and plasma were obtained from blood banks and specialists were flown in from Prague and Bratislava. The injured were rushed to various hospitals within a fifty-mile radius. All victims were placed under police guard and the government maintained a strict news blackout on the disaster. (S Frankfurt 6576, 25 June 52)

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Comment: The Dubnica armaments plant is part of the Skoda heavy industrial complex. The ammunition factory is located about three kilometers from Dubnica in underground installations. About 5,000 workers are employed in the plant, with between 30 and 50 percent reported to be women.

Although no explanation is available as to the cause of the explosion, lack of adequate safety precautions has been noted in many major Czech industrial plants. The speed and effectiveness with which the government was able to bring disaster relief into action following the explosion is an indication of Czech capabilities in this field.

5. Possible speedup in Hungarian frontier deportations reported: The American Legation in Budapest believes that deportations from Hungarian frontier areas may have been speeded up during the past four weeks. The current expulsions are chiefly from the western and southern border areas. All property left behind has been confiscated.  
(R Budapest 974, 27 June 52)

Comment: Hungarian authorities appear to be extending large-scale deportations into the sensitive border area. Last summer's target was chiefly Budapest, and there were reports of expulsions from the Yugoslav border in 1950. The present deportations apparently apply to the Austrian frontier as well.

6. New Rumanian-Hungarian economic link reported: Rumania and Hungary signed a three-year economic co-operation agreement last week providing for a linking of the electric power networks of the two countries and formation of a joint Rumanian-Hungarian company to exploit Rumania's natural gas and chemical resources.

Using Hungarian equipment, the new company will build a large chemical combine in Rumania which is expected to produce enough nitrate of sodium to meet the requirements of both countries. A new pipeline also will be constructed jointly for supplying natural gas to a proposed Hungarian chemical plant. (C Budapest 965, 25 June 52)

Comment: This is the first time that Moscow, through the Council for Mutual Economic Assistance, appears to have

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approved formation of a joint stock company by two Satellites. The agreement will serve the Council's purported aim of consolidating the resources of the two countries and making them complementary rather than competitive.

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FAR EAST

7. British and French favor Japan's membership in COCOM: The US delegation to COCOM reports that Great Britain still strongly favors the full admission of Japan to COCOM, and is opposed to a separate organ which would cooperate with, but not be a part of the export control organization. The French have similar views, but somewhat less strong. Both nations have agreed that exploratory quadripartite talks should be held with Japan before COCOM considers possible Japanese membership. (S Paris 8111, 26 June 52)

Comment: The Japanese Government has indicated its desire to join the European export control organization. Ambassador Murphy believes that Japanese membership is essential to assist the government in countering strong demands from the Diet and commercial interests for a relaxation of present controls on China trade.

The Department of State has favored a separate organization for Far East controls in view of a possible desirability in the future to associate COCOM more closely with NATO or other Atlantic-based organizations.

8. Japan seeks US assistance in deporting unruly Koreans: Foreign Minister Okazaki has requested American assistance in the problem of repatriating about 5,000 Koreans who have violated Japanese law and whom the Republic of Korea has refused to accept. Okazaki said there is no thought of deporting the 600,000 Koreans legally in Japan, although, he added, there may be another 200,000 illegal entrants. (S Tokyo 686, 26 June 52)

Comment: The South Korean Government rejected a Japanese attempt last May to deport 125 illegal Korean entrants on grounds that they had lived in Japan prior to 1945, although South Korea had accepted deportees on 17 previous occasions without reference to their length of residence in Japan.

The Japanese Foreign Office fears that the ROK may now be hedging on a previous tentative agreement which granted Korean nationality to all Koreans in Japan, and acknowledged Japan's right to deport unruly elements.

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9. Southern Thailand experiencing economic recession: The American Embassy in Bangkok reports that southern Thailand is experiencing a "definite" economic recession because of current low rubber prices. It is estimated that 40 to 50 percent of the rubber "estates" have ceased tapping, and some of the unemployed tappers have reportedly turned to gangsterism. (C Bangkok 2759, 26 June 52)

Comment: The Embassy had reported earlier this spring that producers and traders manifested little concern over the drop in record-high rubber prices.

On the other hand, Malayan Communist terrorists have been active in southern Thailand, and past experience indicates that this economic discontent offers them new opportunities to extend their influence in Thailand.

10. Burmese mission to study land policy in Peiping and Moscow: The American Embassy in Rangoon reports that a Burmese mission, led by the Minister of Land Nationalization, Thakin Tin, is to spend August and September in Peiping and Moscow studying "methods of land nationalization for application in Burma." Thakin Tin recently told an Embassy officer that he is seeking to develop a "new system" based both on the Chinese method of individual distribution of land and Russian collectivization, but adapted to conditions in Burma. (C Rangoon 1266, 26 June 52)

Comment: Thakin Tin will be the second Burmese cabinet officer to lead a delegation into the Communist Orbit in less than three months. He is identified with the left wing of the Burma Socialist Party and is the sponsor of the Land Nationalization Act which is largely derived from Communist theory.

11. Tension continues in Bangkok: The American Embassy in Bangkok reports that tension in Bangkok continues although a coup attempt or a Chinese uprising has not materialized. The Embassy states that the possibility of a split in the ruling clique is always present and that the alerts are still effective "and may remain so for some time." (C Bangkok 2760, 26 June 52)

Comment: While Bangkok has recently experienced political uneasiness, there is still no firm evidence to suggest that any of the members of the ruling clique feel sufficiently strong to alter successfully the status quo.

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NEAR EAST - AFRICA

12. New left-wing political party formed in Israel: A new political party, the Labor Unity Party, was formed in Israel on 21 June by a faction which had split from the pro-Soviet Mapam. The new party remains Marxist but considers Mapam's views inconsistent with Zionism. The membership of the party is drawn from small groups of intellectuals and urban workers unwilling to accept Mapam's increasing pro-Cominform orientation. The future of the party depends on whether the strong rural and trade union groups now forming the right wing of Mapam will unite with it. (C Tel Aviv 1404, 23 June 52)

Comment: This development has been foreshadowed for some time. The position of Mapam, Israel's third largest party, may now be seriously threatened because more of its numbers may join the new party.

13. British and American representatives agree to Middle East Defense Organization plan: British and American representatives have agreed to a plan for the early establishment of a Middle East Defense Organization with headquarters on Cyprus. Pending approval by both governments, the proposals will be submitted to the other sponsoring powers -- France, Turkey, Australia, New Zealand, and South Africa. A planning group of representatives from all participants is to operate under a British head.

Egypt will be invited to become a founding member. The ultimate cooperation of the other Arab states is also considered essential. Since those states would probably reject any invitation at this time, the organization will first be established to demonstrate the West's firm intention of defending the area, with the hope of attracting Arab cooperation. (S London Secto 24, 27 June 52)

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14. Southern Rhodesian majority favors Central African Federation: Majority support for the Central African Federation plan was shown in debates last week in the Parliament of self-governing, white-controlled Southern Rhodesia.

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The supporters' major reservation involved a provision for appeals to London on racial questions through an African Affairs Board, since they prefer to have a federal supreme court handle such questions. (C Salisbury 84, 26 June 52)

Comment: The British Government is encouraging the federation of Southern Rhodesia with the protectorates of Nyasaland and Northern Rhodesia to strengthen politically and economically these territories which are important sources of strategic minerals.

This Southern Rhodesia support, as well as that of the white settler minority in the two protectorates, is essential. London is already faced with the determined opposition of native Africans, who fear that the white-controlled federation would inevitably hurt their position, regardless of any protective formulas.

Final ratification will be sought after a conference in London this fall to meet objections that arise in the current discussion phase.

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WESTERN EUROPE

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15. Soviet movements reported in East German coastal area: [ ]

25X1C [ ] Soviet troops were observed debarking from ships in the Rostock harbor every night for a week during early June. "Quite heavy cannon" were unloaded at the same time. The debarkations reportedly had begun 10 to 12 days earlier. [ ]

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Comment: This is one of a series of unconfirmed reports of Soviet troop movements into the Rostock and the Ruegen Island areas.

Soviet interest in the Baltic area has been shown by increases in naval personnel in Germany and Poland, the reported recent amphibious and coastal defense exercises along the East German coast and the increased Soviet air capabilities in the area.

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16. East German railroads reportedly purchasing steel plates through Switzerland: The East German railroads have reportedly ordered 2,500 tons of steel plates through a French firm with offices in Zurich and Paris. [ ]

Comment: The steel plates are probably for use in the construction of the 2,300 heavy duty flatcars, suitable for operation on either standard or broad gauge track, which are scheduled for production in East Germany in 1952. As a result, a large percentage of the capacity of the wagon construction industry will be tied up and production of other types of cars may be almost eliminated.

This order, for which the Germans are willing to pay an unusually high price, and a previous one for 80,000 tons of steel rails placed with Schneider-Creusot, reflect the critical steel shortage in East Germany.

17. East Germans reportedly ready to set up national army about 10 July: [ ] a law setting up the armed forces of the German Democratic Republic will be announced on 10 or 11 July at a congress of the Socialist Unity Party. Some 12,000 infantrymen of the new army will then parade at Marx-Engels Platz in Berlin. Eighty artillery pieces and 10 tanks will take part in the exercise. [ ]

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Comment: Such an army already exists in fact, and recent Communist propaganda has emphasized the necessity of a national force for the defense of East Germany. The USSR, however, possibly may not want a formal announcement of an East German army to be made so soon after the Western proposal for four-power talks to discuss the composition of an electoral commission on Germany.

18. West Berliners irate over ban on visiting their East German properties: The US High Commissioner's office in Berlin reports that feeling among West Berliners is running "rather high" on the restrictions which the East German Government has placed on their travel to gardens, summer homes, and other property in the Soviet Zone. East Germany announced on 26 June that West Berliners could not visit their property unless they became East German citizens and claimed that the measure was necessary to combat the sabotage and diversionist activities organized by West Berliners.

HICOG officials believe that a Western protest alone will not be sufficient to assuage the feelings of Berliners, some of whom will be alienated from the Allies unless they are compensated for their losses. HICOG suggests the possibility of compensating West Berliners through the appropriation of East German, or even Soviet, property wherever the US could lay hands on it, thus combining compensation and genuine reprisal. (C Berlin 1564, 26 June 52)

Comment: Many Berlin families depend to a considerable extent on the produce from their East German gardens.

19. French Government may charge Duclos with espionage: The French Government appears hopeful of bringing Communist chief Jacques Duclos to trial before a military court on charges of espionage. The Minister of Justice has informed the Cabinet that the government's recent anti-Communist drive has uncovered evidence which may incriminate Duclos on charges which would make him subject to such a trial. (S Paris 8130, 26 June 52)

Comment: Duclos was arrested on charges of endangering internal security, and the government has been denying press reports that evidence of espionage was actually found. Premier Pinay is reportedly determined to push the fight against them by every means short of outlawing the party. The Communists have been unable to stir up popular sentiment for Duclos.

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20.

Austrian Foreign Minister satisfied with visit to Tito:

Austrian Foreign Minister Gruber is highly satisfied with his talks with Yugoslavia's Marshal Tito; he feels the results should be measured more in terms of better relations than in agreements reached. Agreements were reached, however, on an early return of twelve Austrian PW's remaining in Yugoslavia, on a resumption of local border traffic, and on the reciprocal restitution of small border holdings.

Tito expressed his admiration for Austrian resistance to the Russians, and urged Gruber to continue to press for a state treaty. He approved the Austrian plan to bring the treaty issue before the UN General Assembly, saying that it was important to win the support of "neutral" states, such as India. The official Yugoslav communique also stated that there had been discussion of a mutual desire to increase trade, and of the necessity for a resolution of the question of the Yugoslav minority in Austria. (S Vienna 4042, 26 June 52; R Belgrade 1642, 25 June 52)

Comment: Gruber announced after his talks with Tito that Trieste had not been on the agenda, although there had been some discussion of Austria's economic interest in the port, which he hoped the Yugoslavs and Italians would take into account.

LATIN AMERICA

21.

Uruguayan Parliament to debate MSA agreement: The US-Uruguayan Mutual Security Act agreement will, according to present plans, be signed on 30 June and then presented to the Uruguayan Parliament for ratification. Vocal opposition is expected to be led by the nationalist Herrerista minority party.

Dominguez Campora, chief of the Uruguayan negotiating committee, has assured US negotiators that, provided the MSA agreement is finally ratified, the secret Military Plan will be initiated without further bilateral discussion. (Factual data from: R Montevideo 532, 26 June 52; S Montevideo 449, 7 May 52)

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#### WESTERN EUROPE

1. Danes and Norwegians still hesitate to grant US air bases: The American Ambassador at Oslo reports that the Danish Social Democrats are not willing to move faster than the Norwegians on permitting American-staffed air bases in Scandinavia in peacetime.

The Norwegian Labor government's Foreign and Defense Ministers, who visited Copenhagen in an attempt to persuade the Danes to consider a proposal to locate a US fighter wing in Denmark, found the minority Danish Government agreeable, but they could not obtain the approval of the Danish Social Democrats. (TS Oslo 1134, 26 June 52)

Comment: Norway has deemed it necessary to declare publicly on several occasions and also to inform the USSR diplomatically that there are no foreign bases on Norwegian territory. Therefore, it has generally been considered more feasible for Denmark to assume the lead in establishing an airbase with American personnel on Scandinavian territory. The labor parties in both countries, however, feel unable at the moment to cope with internal opposition.

#### LATIN AMERICA

2. Bolivian Ambassador-designate revises attitude toward nationalization: United States Ambassador Sparks believes that Dr. Victor Andrade, recently appointed Ambassador to the United States, has assumed a more reasonable attitude toward nationalization of the three principal tin companies in Bolivia. Andrade recognizes that he will have a difficult job persuading his government to change its approach to the problem.

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Andrade confided that the government is proceeding cautiously in dealing with the demands of Minister of Mines Lechin until it has strengthened its position. (C S/S La Paz 517, 27 June 52)

Comment: Andrade, for whom agreement has been requested, has been reported to be pro-US but opposed to "any economic penetration by the US."

While President Paz Estenssoro has reportedly been trying to curb Lechin's extremist demands, Paz' 10 June speech indicated that he was determined to carry out nationalization of the principal tin producers.

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